

**AB 24: Insurance Coverage for Undamaged Property Testimony**  
**Representative Marlin Schneider 72<sup>nd</sup> Assembly District**

Chairman and members of the Committee, thank you for allowing me to testify today on behalf of Assembly Bill 24.

This bill would require an insurer that issues a property insurance policy to cover the insured for the cost of any cosmetic modifications, such as roofing or installation of siding, to undamaged parts of the insured property that are necessary to match the repaired, rebuilt or replaced portion of the insured property that was damaged.

Under current law, an insurer is only required to repair damaged property that was insured. This causes a problem, however, when the materials are not available for whatever reason to match the damaged portion of the property to the undamaged parts. In this case, some insurers will only cover for the damaged portion, leaving the insured with a mismatched property. For example, if a portion of a homeowner's siding on their insured home is damaged and the color needed to match the undamaged portion is unavailable, the damaged siding will be replaced with the closest shade available. The homeowner now has a fully repaired house, but with mismatched siding.

The driving point here is that homeowners should not have to incur additional costs to make the homeowner whole again. If a homeowner has a house with one color of siding or roofing, they should not get a mismatched house in return. The purpose of having insurance is to help return things to the way they were before whatever damage occurred. Homeowners should not be punished because the color of siding or roofing they originally had is no longer available. They should be covered so that if their home is damaged they can have it repaired back to its normal state, not a mismatched one. For this reason, insurers should have to pay to make sure a home can be returned as close to its previous state as possible.

The need for this bill stems from an event I'm sure many of you remember from a couple of years back. On June 7, 2007, severe thunderstorms that included five tornadoes – one of which was rated an EF3 and another an EF2 on the Enhanced Fujita scale – near record-size hail and damaging winds ravaged central and northeast Wisconsin, according to the National Weather Service. Thousands of home and businesses sustained damage as a result of this storm, the worst occurring east of White Lake where the Bear Paw Outdoor Adventure Resort reported damage to nearly every building, including a three story inn. Wood County alone sustained \$45 million in damage with hail reaching the size of baseballs and softballs. In fact, a 5.5 inch diameter hailstone that fell on Port Edwards was the second largest hailstone ever measured in Wisconsin. All in all, total damage from these storms exceeded \$60 million.

As if these storms weren't bad enough, the aftermath was even more disheartening. My office received numerous calls from constituents who only had the damaged portions of their homes replaced, leaving them with mismatched siding, roofing,

etc. Mr. Leo John Ruesch of Wisconsin Rapids sent in a letter stating, "I am well satisfied with the compensation I received for all the damages except for the amount they paid for the damaged siding. The insurance company is only paying for the side of the house which sustained damage. This would be fine, except I am unable to get siding that will match. I don't feel I should have to pay to get the house back in the condition it was before the hail storm."

What's worse is that while Mr. Ruesch's insurer only covered the damaged portion of his home, other houses in the area were completely resided even though the entire house was not damaged. This is one situation this bill intends to resolve. It is unjust that some homeowners are discriminated against by their insurer, while others simply are not. This bill would ensure that all insurance companies are required to pay for any cosmetic modifications to the damaged portion of the property that are necessary to match the repaired portion of the property that was damaged. Every homeowner should get their house back after an accident in a condition that is as similar as possible to what it was before the accident occurred. This is why homeowners insurance exists. Not so that some homeowners are discriminated against, because their insurer decided to only cover enough for a mismatched home.

Now, I'm sure most of you are wondering how enacting a bill like this will effect insurance companies. The answer is very minimally. According to the Wisconsin Insurance Report for 2008 businesses which is compiled by the Office of the Commissioner of Insurance, Wisconsin mutual property and casualty insurance companies earned \$3.15 billion in direct premiums which resulted in a loss ratio of only 64 percent. In fact, in 2007, the year in which Wisconsin was ravaged by the aforementioned storm, it was reported the Wisconsin mutual property and casualty insurance companies only incurred a 60 percent loss ratio. Therefore, even in a year that was out of the ordinary as far as storms go, Wisconsin insurance companies had money to go around. It also should be mentioned that in 2008, of the 20 companies that make up nearly 75 percent of the Wisconsin home insurance market, the median loss ratio was 70 percent with some companies reporting loss ratios under 50 percent.

In the end, the losses that insurance companies would incur as a result of this bill are nothing compared to the justice that would be served to homeowners. It is my firm belief, that all insurers should have to pay for any cosmetic modifications to the undamaged portion of the insured's property that are necessary to match the repaired, rebuilt or replaced portion of the property that was damaged. Not only will this ensure that a homeowner does not get a mismatched home, requiring, in turn, for that person to pay to get the home back in the condition it was before damage was done – something I believe insurance companies owe to their paying customers.

Thank you for your time. I hope you will act favorably on AB 24, and I will be happy to answer any questions you may have.



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September 9, 2009

TO: Members of the Assembly Insurance Committee  
FR: Andy Franken

RE: Oppose Assembly Bill-24

On behalf of the Wisconsin Insurance Alliance, I ask you to oppose Assembly Bill 24.

The Wisconsin Insurance Alliance (WIA) is a state trade association of property and casualty insurance companies. Our membership ranges from some of the largest property and casualty insurers in the country to some of the smaller Wisconsin town mutual insurance companies.

Wisconsin residents spend nearly \$1 billion on homeowners insurance annually. Homeowner insurers return a significant portion of those dollars back to consumers and the local economy when they facilitate the repair of damaged homes.

Assembly Bill 24 will have a negative impact on the vast majority of consumers by increasing insurance costs for homeowners. In addition, the very vague and broad nature of AB-24 provisions will result in unmitigated expansion for insurance coverage to undamaged property.

The insurance industry is not monolithic. Each company's policy language may differ, each company's claims handling processes differ, and some may offer endorsements to replace undamaged property. The consumers in Wisconsin have a vast choice of insurers and coverages and affordable homeowner insurance. As a percentage of median household income, Wisconsin has some of the lowest homeowner costs in the country.

Companies work in good faith to settle claims to consumer satisfaction. Although not perfect, the marketplace in Wisconsin works and works well for consumers. AB-24, will increase costs on consumers and disrupt the insurance marketplace in Wisconsin.

I ask that you please OPPOSE AB-24 in order to continue to maintain affordable homeowner insurance rates in Wisconsin.

Thank you for your consideration.